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# BUDGET HIGHLIGHTS

## 1975 Ontario Budget



The Honourable  
W. Darcy McKeough  
Treasurer of Ontario



Ontario

Ministry of Treasury, Economics & Intergovernmental  
Affairs

Taxation and Fiscal Policy Branch.

Highlights of the Ontario Budget

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HIGHLIGHTS OF THE 1975 BUDGET

THE HONOURABLE W. DARCY McKEOUGH  
TREASURER OF ONTARIO

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Notes:



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Free Drugs for All Pensioners	
Income Tax Cut	
II    Encouraging Home Ownership and Increasing Housing	
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### THE BUDGET THEME

Ontario is taking powerful and immediate actions to stimulate the economy in 1975. The Province also establishes longer-run incentives to expand investment and productivity and to improve the competitive position of Ontario industries.

Ontario's plan of action will:

- . REINFORCE CONSUMER INCOMES AND PURCHASING POWER
- . ENCOURAGE HOME OWNERSHIP AND EXPAND HOUSING SUPPLY
- . INCREASE INVESTMENT AND PRODUCTIVITY
- . STRENGTHEN SMALL BUSINESS AND FARMING
- . RESTRAIN GROWTH IN GOVERNMENT SPENDING

These budget measures should restore consumer and business confidence, and generate increased production and jobs. The temporary nature of the major stimulative measures ensures they will not contribute to inflationary pressures when the economy regains its customary momentum.

I REINFORCING CONSUMER INCOMES AND PURCHASING POWER

Sales Tax Cut - \$330 MILLION

- . Effective April 8, 1975, the basic Retail Sales Tax rate will be reduced from 7 per cent to 5 per cent. This tax cut will remain in effect until December 31, 1975.
- . The tax savings on the purchase of a new car will average around \$100, and on appliances and furnishings for a new household, about \$125.
- . Direct benefits to consumers will amount to \$230 million this year.
- . Businesses, as well, will enjoy \$100 million in cost savings.
- . The sales tax cut will provide \$25 million in cost savings to builders and home buyers.

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BENEFITS OF SALES TAX CUT

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(\$ million)

Consumers	230
Industry	50
Construction	25
Housing	25

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Total	330
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Enriched Guaranteed Income Payments (GAINS) - \$13 MILLION

- . The Ontario GAINS guarantee will rise to \$240 a month per person and \$480 a month per married couple, effective May 1, 1975.
- . An additional 7,000 pensioners will be eligible for GAINS raising the total number of GAINS beneficiaries to 310,000 in 1975.
- . Effective May 1, 1975, Ontario's guaranteed income for pensioners will be the highest anywhere in Canada.

MONTHLY BENEFITS FOR PENSIONERS, MAY 1975

	<u>Private Income</u> \$	<u>OAS/GIS</u> \$	<u>GAINS</u> \$	<u>Guaranteed Income in Ontario</u> \$
	0	209.99	30.01	240
	10	204.99	25.01	240
Single	20	199.99	20.01	240
Pensioner	30	194.99	15.01	240
	40	189.99	10.01	240
	0	400.60	79.40	480
	20	390.60	69.40	480
Pensioner	40	380.60	59.40	480
Couple	60	370.60	49.40	480
	80	360.60	39.40	480

GUARANTEED ANNUAL INCOME LEVELS FOR PENSIONERS  
IN ONTARIO AND OTHER PROVINCES, MAY 1975

	<u>Single</u>	<u>Married Couple</u>
	(\$)	(\$)
Ontario	2,880	5,760
British Columbia	2,878	5,756
Alberta*	2,820	5,640
Saskatchewan*	2,760	5,239
Manitoba	2,614	5,010
Other Provinces, Federal OAS/GIS Level	2,520	4,807

\* Assumes that the Alberta and Saskatchewan programs, announced earlier this year, are in effect by May 1975.

Free Drugs for All Pensioners - \$15 MILLION

- . All Ontario residents over age 65 will be eligible for free prescription drugs effective August 1, 1975.
- . The Drug Benefit Plan, introduced last September, has provided, free of charge, 1,400 essential prescription drugs to 340,000 low-income pensioners and all social assistance recipients.
- . With the inclusion of an additional 375,000 pensioners, this program will now benefit over 1 million people, or one out of every eight people in the province.
- . New beneficiaries of the Drug Benefit Plan who currently receive Old Age Security payments will automatically receive their drug card in the mail. Those who have not been resident in Canada for ten years must apply to the Ministry of Revenue.

BENEFICIARIES OF ONTARIO GAINS AND  
FREE DRUGS PROGRAMS, AUGUST, 1975

	GAINS	Free Drugs
Number of People:		
Elderly	272,000	715,000
Blind and Disabled	38,000	38,000
Other Social Assistance Recipients	-	268,000
	310,000	1,021,000
Total Value in 1975-76 (\$ million)	138.2	46.0

Income Tax Cut - \$11 MILLION

- . 450,000 low-income taxpayers will be removed from the Provincial income tax rolls in 1975.
- . Ontario tax credit refunds for 1975 will automatically increase for these 450,000 individuals.
- . As well, they will be eligible for full health insurance premium assistance in 1976.

NET IMPACT OF ONTARIO'S INCOME TAX  
AND TAX CREDIT SYSTEM, 1975

	Single Individual	Married Couple	Family of Four	Single Pensioner
	(\$)	(\$)	(\$)	(\$)
Annual Income	3,583	5,323	6,033	5,547
Provincial Income Tax	0	0	0	0
Value of Ontario Tax Credits	239	255	262	361
Net Benefit of Ontario's Income Tax System	239 refund	255 refund	262 refund	361 refund
Annual Income	5,570	7,480	8,275	8,890
Provincial Income Tax	173	186	191	266
Value of Ontario Tax Credits	173	186	191	266
Net Impact of Ontario's Income Tax System	0	0	0	0

Note: Assumes that: the pensioner claims personal exemptions, the standard \$100 deduction and the \$1,000 deduction for private pension income; the taxfilers under age 65 claim personal exemptions, the standard \$100 deduction, the 3 per cent employment expense allowance and deductions for UIC and CPP contributions. Value of tax credits is based on a property tax level of \$400.



- . No Provincial income tax will be paid and substantial tax credits will be refunded up to the following income levels: single individual, \$3,583; married couple, \$5,323; family of four, \$6,033; and single pensioner, \$5,547.
- . The combined effect of the income tax cut and Ontario's tax credits will produce tax-free income thresholds of: single individual, \$5,570; married couple, \$7,480; family of four, \$8,275; and single pensioner, \$8,890.
- . For example, a family head with a spouse and two children earning \$8,275 in 1975 will pay Provincial income tax of \$191. This tax liability will be exactly matched by an Ontario tax credit of \$191, resulting in no tax being paid to the Province.

II ENCOURAGING HOME OWNERSHIP AND EXPANDING HOUSING SUPPLY

\$1,500 Grant for First Home Buyers - \$55 MILLION

- . To encourage home ownership, anyone purchasing or building a first home in Ontario will receive a \$1,000 grant from the Province, plus an additional \$250 in each of the two succeeding years for a total grant of \$1,500.
- . This First Home Buyer Grant program will remain in effect until December 31, 1975 and it will cover new and used homes and apply regardless of the price of the home or the income of the purchaser.
- . The total value of this grant program is \$83 million.
- . Applicants for the grant must be 18 years of age or over.
- . Included as homes for receipt of the grant are: houses containing no more than two housing units, condominiums, co-operative housing corporation units and mobile homes which meet CSA standards.
- . To qualify, the home must be the principal residence of the applicant and title or possession must be taken during the eligibility period.
- . Applications are to be made on the official form which may be obtained from the Ministry of Revenue.

Measures to Increase Housing Supply

- . The Ontario Government's commitment to housing action will total \$526 million in this fiscal year of which the Ministry of Housing will be allocating \$484 million.
- . Grants and loans to municipalities under the Ontario Housing Action Program (OHAP) will more than double from \$19 million to \$43 million in 1975-76.
- . Advances to the Ontario Mortgage Corporation will be increased from \$133 to \$208 million for OHAP, the Home Ownership Made Easy program (HOME) and the socially assisted housing program.
- . Ontario will increase its direct support for senior citizens and low-income family housing by 57 per cent to \$87 million which, with complementary federal financing, should result in 10,600 new housing starts.

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HOUSING ACTION SUMMARY  
(\$ million)

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	1975-76
Home Buyers Grants	55.0
Community Planning	34.6
Housing Action	42.5
Socially Assisted	87.2
HOME	41.2
OMC	207.7
Administration	15.7
Advances for Townsites*	42.0
	<u>525.9</u>

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\* North Pickering, South Cayuga and Townsend projects,  
see Table 2, Budget Paper C.

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### III INCREASING INVESTMENT AND PRODUCTIVITY

#### Sales Tax Exemption for Production Machinery - \$108 MILLION

The Retail Sales Tax will be eliminated on all purchases of machinery and equipment effective April 8, 1975. To qualify:

- . orders for machinery and equipment must be placed on or after April 8, 1975 and before January 1, 1977; and
- . delivery must take place on or before December 31, 1977.

Over the full term of the exemption, Ontario industries will enjoy \$410 million in cost savings. This measure will significantly improve the competitiveness of export-oriented industries.

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#### EXAMPLES OF TAX SAVINGS ON PRODUCTION MACHINERY

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	<u>Purchase Cost</u> (\$)	<u>Tax Saving</u> (\$)
A) Construction		
. heavy-duty earth hauler	145,000	10,150
. front-end loader	45,000	3,150
. crawler-type tractor	50,000	3,500
. excavator crane	85,000	5,950
B) Manufacturing		
. mechanical press	30,000	2,100
. winch	40,000	2,800
. air compressor	10,000	700
. grinding machine	15,000	1,050
. lathe	20,000	1,400
C) Mining		
. earth-boring machine	35,000	2,450
. mounted rotary rock drill	83,000	5,810
. ore crusher	24,000	1,680

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Fast Write-off for Manufacturing and Processing Equipment

- . Ontario will extend the fast write-off of machinery and equipment used for manufacturing and processing for the three-year period January 1, 1975 to December 31, 1977.

Fuel Cost Reduction - \$19 MILLION

- . The gasoline and diesel fuel taxes on industrial, commercial and institutional uses will be eliminated, effective April 8, 1975.
- . This measure will be of particular benefit to industries located in Northern Ontario, and schools, hospitals and other institutions.

Pollution Control - \$3.5 MILLION

Two measures will encourage investment in pollution control equipment.

- . the sales tax equivalent abatement on qualifying equipment will continue for an additional year.
- . a two-year extension of the fast write-off on environmental protection equipment will be implemented to parallel the federal extension.



### Other Tax Changes

In order to simplify and to maintain consistency between the federal and provincial corporate tax structures, the Province will parallel a number of changes introduced in the federal budget of last November. These include:

- . the modified international tax provisions; the accelerated due date for final payment of corporations tax; disallowance of oil and gas royalties as a deduction from corporation income tax; application of the 15 per cent capital cost allowance to timber limits, rights, or licences to cut timber; reduction in the tax-free reserves of large financial institutions (effective January 1, 1975); unlimited deduction for scientific research expenditures; claims for capital cost allowances on new, multiple-unit residential rental buildings; and corporate reorganization and roll-over provisions.

### Exceptions

Ontario will continue to:

- . allow carrying costs on land held for development as a deduction against other income; and
- . allow full deduction of all Canadian exploration and development expenses.

IV STRENGTHENING SMALL BUSINESS AND FARMING

Small Business Tax Credit - \$15 MILLION

Ontario will double the maximum Small Business Tax Credit from \$3,000 to \$6,000 annually.

Compensation for Sales Tax Collection - \$11 MILLION

Effective July 1, 1975, compensation will be provided to each vendor for costs incurred in collecting and remitting sales taxes after that date. Vendors may withhold 3 per cent of tax collected up to a maximum of \$500 in any fiscal year.

Farm Assistance - \$22 MILLION

- . Ontario will introduce measures to supplement where necessary the federal Agricultural Products Stabilization Act currently before the House of Commons. This initiative will cost \$20 million in this fiscal year.
- . Owners of managed forests who are resident in Ontario will be eligible for a rebate of 50 per cent of property taxes on forests. This measure parallels the rebate of property taxes on farms available to Ontario farmers.

Succession Duty and Gift Tax - \$8 MILLION

To ensure the continuation and growth of family farms or businesses in Ontario and to allow for the impact of inflation in general, the following improvements in succession duties and gift taxes will be made effective April 8th.

- . For all estates, the basic \$150,000 allowance will be increased to \$250,000.
- . The present forgiveness period for family farms will be shortened from 25 years to 10 years.
- . The succession duty payable in respect of assets of small family businesses will also be forgiven over 10 years.
- . The basic exemption for gift tax will be raised from \$2,000 per recipient and an aggregate of \$10,000 in any one year to \$5,000 per recipient and a total of \$25,000 in any one year.
- . The once-in-a-lifetime special exemption for farmers under The Gift Tax Act will be raised from \$50,000 to \$75,000 and this provision will extend to small businesses as well.
- . Transfers between spouses will continue to be tax exempt.

These initiatives ensure that all taxable estates in Ontario will enjoy the benefit of tax savings.

# V RESTRAINTS ON GOVERNMENT SPENDING

The Government of Ontario will restrict its own expenditure growth by enforcing a four-part plan of restraint:

- . Ministries will be required to absorb within their 1975-76 Estimates all in-year cost increases resulting solely from inflation.
- . All programs are being reviewed with the view to eliminating those, such as the Emergency Measures Organization, which have outlived their usefulness.
- . Provincial building projects have been postponed wherever feasible, except in the highest priority areas of housing and environment.
- . Ministries have reviewed their civil service complement to achieve an overall reduction for the Government of 2.5 per cent.

## CIVIL SERVICE COMPLEMENT

	Government of Canada*		Government of Ontario	
	Number	Percent Change	Number	Percent Change
1972	257,754		67,071	
1973	272,089	+5.6	69,325	+3.4
1974	287,518	+5.7	70,877	+2.2
1975	306,276	+6.5	69,221	-2.3

\* Federal Estimates 1974-75 and 1975-76

- . Growth in the Ontario public service has been substantially more restrained than in the federal public service.

The spending intentions outlined in this Budget result in:

- . An increase in budgetary expenditure for 1975-76 of 16.8 per cent.
- . An overall increase in budgetary plus non-budgetary expenditure of only 12.2 per cent.

VI ASSISTANCE TO LOCAL GOVERNMENT

- . Through its revenue-sharing commitment, the Province will increase its transfer payments to local governments and agencies by \$380 million, for a growth rate of 16.3 per cent.
- . The increase in unconditional grants will be directed mainly towards the per capita grants for policing costs and special assistance to Northern Ontario municipalities.
- . Special Northern Ontario grants will increase by almost 42 per cent, resulting in a residential property tax which is \$90 lower, on average, than in Southern Ontario.
- . Municipalities and school boards are urged to review their staffing, payrolls, and other expenditures in order to attain maximum economies.

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THE REVENUE-SHARING COMMITMENT  
(\$ million)

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	1973-74	1974-75	1975-76
Revenue Growth Rate		18.9%	10.3%
Commitments	2,012	2,392	2,638
Actual Transfers	2,012	2,325	2,705
Difference	Nil	-67	+67
Balance	Nil	67	Nil

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VII FINANCIAL PLAN FOR 1975-76

Features of Ontario's financial plan for 1975-76:

- . Net cash requirements, before budget measures, of \$1,239 million.
- . Fiscal initiatives totalling \$430 million, including \$55 million for the Ontario First Home Buyer Grant program.
- . Net cash requirements, after budget measures, of \$1,669 million.
- . Revenue growth after tax actions of 10.3 per cent.
- . Expiry of the temporary stabilization measures introduced in the budget ensures the long-run financial integrity of Ontario.

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ONTARIO's 1975-76 FINANCIAL PLAN  
(\$ million)

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	Interim 1974-75	Estimated 1975-76	
		Before Tax Actions	After Tax Actions*
Budgetary Revenue	8,135	9,356	8,977
Budgetary Expenditure	<u>8,726</u>	<u>10,137</u>	<u>10,192</u>
Budgetary Deficit	591	781	1,215
Non-Budgetary Deficit	<u>439</u>	<u>458</u>	<u>454</u>
Net Cash Requirements	1,030	1,239	1,669

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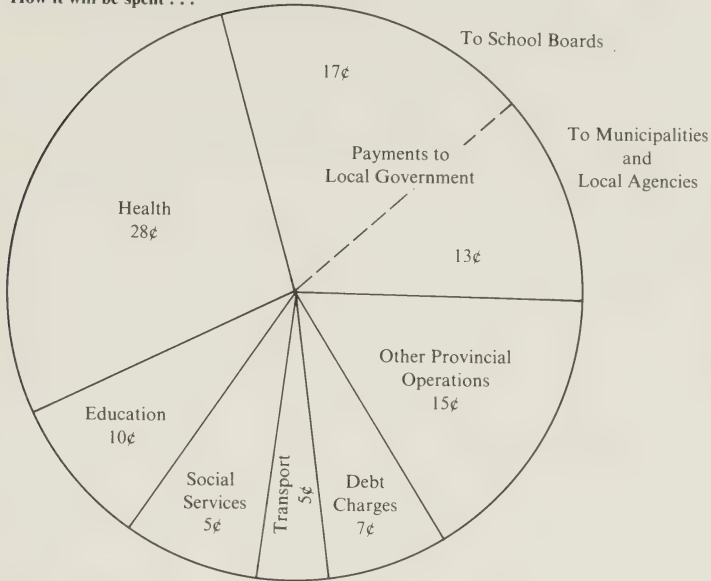
\* Includes Home Buyer Grants.

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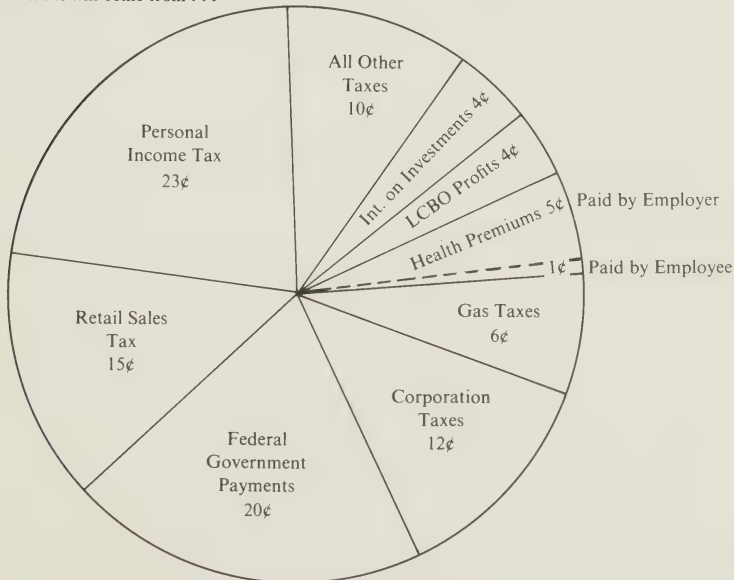
# THE BUDGET DOLLAR

## Fiscal Year 1975-76 Estimates

How it will be spent . . .

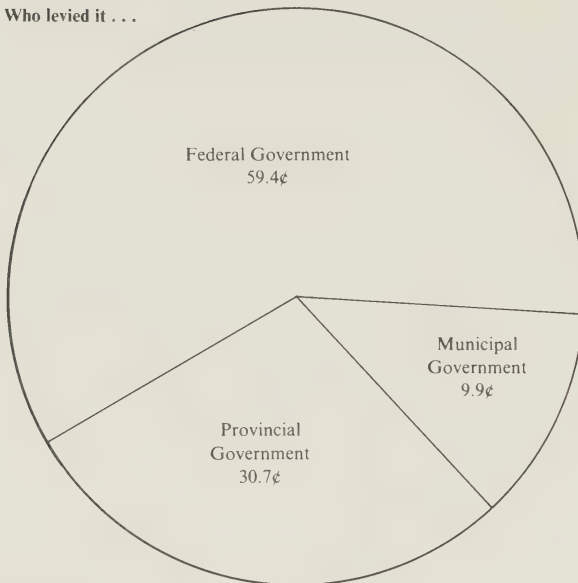


Where it will come from . . .

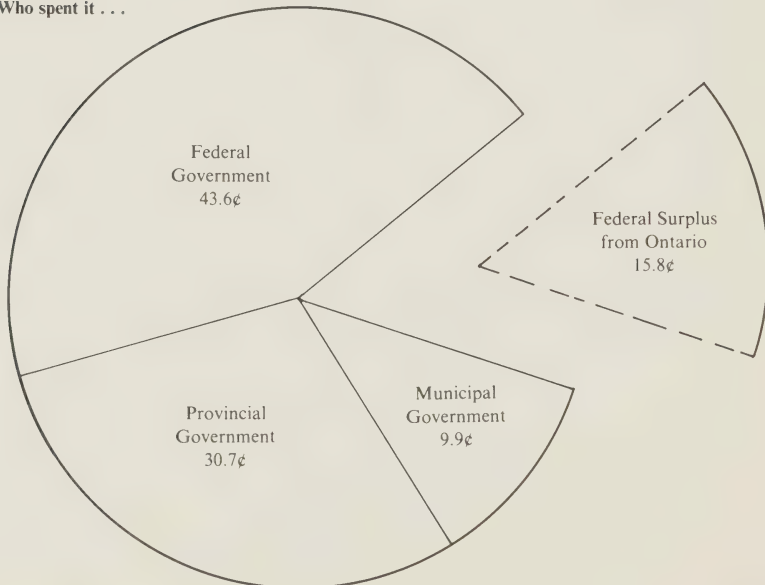


## THE TAX DOLLAR IN ONTARIO 1975

Who levied it . . .



Who spent it . . .



FURTHER INQUIRIES

This section summarizes the sources of more detailed information relating to actions implemented in the 1975 Ontario Budget.

Retail Sales Tax	Retail Sales Tax Branch, Ministry of Revenue (416) 965-5772  (or)  Contact the nearest Retail Sales Tax District Office.
Corporations Tax	Corporations Tax Branch, Ministry of Revenue (416) 965-4040
GAINS, Ontario Tax Credits, Personal Income Tax, Free Drugs	Taxation and Fiscal Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs (416) 965-6869  (or)  Guaranteed Income and Tax Credit Branch, Ministry of Revenue (416) 965-8470
Succession Duties and Gift Tax	Taxation and Fiscal Policy Branch, Ministry of Treasury, Economics and Intergovernmental Affairs (416) 965-6869  (or)  Succession Duties Branch, Ministry of Revenue (416) 965-1700
Gasoline and Motor Vehicle Fuel Tax	Gasoline Tax Branch, Ministry of Revenue (416) 965-6352

Ontario Home  
Buyers Grant

Taxation and Fiscal Policy Branch  
Ministry of Treasury, Economics and  
Intergovernmental Affairs  
(416) 965-6869

(or)

Guaranteed Annual Income and Tax  
Credit Branch,  
Ministry of Revenue  
(416) 965-8470





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